

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT

OF

COUNTY AUDITOR

BROWN COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**

08/19/2011



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials .....	2
Transmittal Letter .....	3
Audit Result(s) and Comment(s):	
Internal Controls Over Financial Transactions and Reporting .....	4
Internal Controls - Payroll Withholdings .....	4-5
Reconciliation of Subsidiary Ledgers - Payroll .....	5
Penalties, Interest, and Other Charges .....	6
Payroll .....	6
Elected Official Salary .....	6-7
Errors on Claims .....	7
Board Minutes - County Commissioner Meetings .....	8
Exit Conference .....	9

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Mari H. Miller Glenda K. Stogsdill	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the Board of County Commissioners	James W. Austin Mary Fouch	01-01-10 to 12-31-10 01-01-11 to 12-31-11
President of the County Council	Cindy Steele David Critser	01-01-10 to 12-31-10 01-01-11 to 12-31-11



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF BROWN COUNTY

We have audited the records of the County Auditor for the period from January 1, 2010 to December 31, 2010, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result(s) and Comment(s). The financial transactions of this office are reflected in the Annual Report of Brown County for the year 2010.

STATE BOARD OF ACCOUNTS

June 24, 2011

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULT(S) AND COMMENT(S)

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the County related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

The Auditor's office did not have sufficient internal controls over the payroll process. The Payroll Clerk performed payroll processing including the processing of the actual payroll, writing the checks, processing the direct deposits, posting the payroll disbursements to the various funds and budgetary accounts, payment of the various payroll withholdings, and the related employer benefits. Also, any written correspondence or phone calls concerning payroll taxes or other payroll related issues were usually given to her to be resolved.

Controls were not in place in the Auditor's office to ensure temporary loans are repaid timely. A \$900,000 temporary loan from the Cumulative Capital Development Fund to the County General Fund in 2008 had not been repaid in 2009. No payments had been made as of June 24, 2011. Additionally, controls were not in place to track capital leases that have been entered into at other departments within the County. A capital lease for a Gradall in the amount of \$225,231 was signed by the Commissioners; however, the former Auditor was unaware of this lease.

The Auditor's staff also did not have sufficient controls over federal grants received by the County. Sufficient information was not readily available to determine what federal grants the County received. This information was necessary to complete the Schedule of Federal Financial Assistance. This schedule was not submitted as part of the County Annual Report, but instead was compiled by the State Board of Accounts. Additional audit time was needed to obtain the information needed to compile and audit the schedule.

The Auditor's office did not have sufficient controls over bid documents. During the audit, they were unable to locate several original bid documents, including the Jackson Township fire station, which should have been filed in their office.

There were not sufficient controls over the Board approval of claims. Most claims prepared between the Commissioner's meetings were stamped with the Commissioners' signature stamps by the Auditor's staff.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 14)

***INTERNAL CONTROLS – PAYROLL WITHHOLDINGS***

Controls over the receipting, disbursing, recording, and accounting of payroll withholdings were inadequate.

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

Barbara Fox, Payroll Clerk, stopped her mandatory 3 percent PERF withholdings of \$18.68, for the pay dates of September 10, 2010, September 24, 2010, October 8, 2010, and October 22, 2010. The total amount of withholdings that should have, but were not, withheld, was \$114.72. However, Barbara Fox, Payroll Clerk, said that she had made an error when she stopped her PERF withholdings. On the November 5, 2010 payroll, she withheld \$114.74 from her gross pay to be paid to PERF.

During the audit, we reviewed Barbara Fox's payroll and withholding information. We noted 14 pay periods where Barbara Fox's federal withholding amounts were different than what should have been withheld. The revised federal withholding amounts ranged from \$4.91 to \$22.20. A review of her federal withholding amount for several pay periods prior to the time she became Payroll Clerk was \$64.98, with a similar gross pay. An amended W-4, Employee's Withholding Allowance Certificate, was not filed to support these changes in her personal federal withholding amount.

The Payroll Clerk also issues checks and electronic fund transfers for the payment of employee withholdings and the employer share of certain withholdings. The Payroll Clerk also prepares the various payroll reports and documents. There were no internal controls in place to ensure that the payments and reports are reviewed and approved by a second person.

We were unable to obtain an accounting software report which would provide a listing of checks which were written by the Payroll Clerk. There was only one bank account which was generally used for both accounts payable and payroll checks and direct deposits. The Transaction Listing History Report does list the employee name of the person who posted the specific amount to a specific fund.

It was also determined that payments for employer provided benefits have not been routinely submitted to the County Commissioners for their review and approval. Signature stamps for the Commissioners have been used by the Auditor's staff to sign off on most of the payments made outside of the normal Commissioners' claims payment process.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

**RECONCILIATION OF SUBSIDIARY LEDGERS - PAYROLL**

The Payroll Fund includes all of the various County payroll withholdings. Individual accounts were set up within the Payroll Fund. The ledger software does have the capability to track the individual payroll withholding balances within the Payroll Fund; however, the Auditor's office has not reconciled these individual payroll withholdings to monitor the individual balances. During 2010, an attempt was made to work through some of the prior years' issues; however, there were staff changes and nothing has been done since that time.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

***PENALTIES, INTEREST, AND OTHER CHARGES***

There were several notices from the Indiana Department of Revenue and the Internal Revenue Service concerning penalties and interest; however, we were unable to determine whether any penalties and interest were actually paid. It appeared that not all correspondence was retained.

A similar comment was in the prior County Auditor's Supplemental Report for the calendar year 2006 (Report B31349).

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Auditors of Indiana, Chapter 14)

***PAYROLL***

The former Sheriff's contract allowed the Sheriff to be paid tax warrant fees. However, the Auditor's office did not include those fees paid to the former Sheriff as part of his gross wages on his 2010 W-2, Wage and Tax Statement.

The County personnel policy, adopted by the County Commissioners, states that it applies to all County employees; however, the County Highway Director and the Sheriff's Chief Deputy did not follow the policy in regards to vacation and sick leave policies.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Auditors of Indiana, Chapter 14)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Auditors of Indiana, Chapter 14)

***ELECTED OFFICIAL SALARY***

On February 16, 2010, the Brown County Council amended the 2010 salary ordinance dated December 21, 2009, for elected officials to include longevity pay for the Brown County Sheriff in the amount of \$700.

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

Per Indiana Code 36-2-5-13 (a) Except as provided in subsection (b), the compensation of an elected county officer may not be changed in the year for which it is fixed. The compensation of other county officers, deputies, and employees or the number of each may be changed at any time on: (1) the application of the county fiscal body or the affected officer, department, commission, or agency; and (2) a majority vote of the county fiscal body. (b) In the year in which a newly elected county officer takes office, the county fiscal body may at any time change the compensation for holding the county office for that year if: (1) the county officer requests the compensation change or, in the case of the county executive body, a majority of the county executive body requests the change; and (2) the county fiscal body votes to approve the change.

The County should seek reimbursement for the amount paid in excess of the salary ordinance approved on December 21, 2009.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

***ERRORS ON CLAIMS***

The following deficiencies were noted on claims during the audit period:

1. Claims were not always adequately itemized.
2. All claims did not have Board approval. Most claims prepared between the Commissioner's meetings were stamped with the Commissioners' signature stamps by the Auditor's staff.
3. Claims or invoices did not always have evidence to support receipt of goods or services. Also, in some instances, the Auditor's accounts payable staff person prepared claims, and audited those same claims. Whatever person or department ordered the goods or services should sign off on those claims.

Indiana Code 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

COUNTY AUDITOR  
BROWN COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**BOARD MINUTES - COUNTY COMMISSIONER MEETINGS**

No record was found in the County Commissioner's minutes of the acceptance and subsequent award of the contract for the Jackson Township Fire Station project. The bids were opened June 2, 2010. Included with the Commissioners' minutes was a letter from the architect concerning the date for the contract and the start date for the project. The contract was signed on July 7, 2010. On July 21, 2010, the County Commissioner's minutes reflected that an amended contractor agreement was presented and approved.

Also, the approval of the minutes in 2010 was not always done in a timely manner. A few examples include the minutes of June 2, 2010, which were approved on July 7; the minutes for August 4 and August 18 were approved on September 15, 2010; the minutes for September 15 were approved on November 3, 2010.

Indiana Code 5-14-1.5-4(b) states in part:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

COUNTY AUDITOR  
BROWN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 24, 2011, with Mari H. Miller, former Auditor; Glenda K. Stogsdill, Auditor; and Donna Lutes, First Deputy Auditor.

The contents of this report were also discussed on June 24, 2011, with Mary Fouch, President of the Board of County Commissioners, and David Critser, President of the County Council.